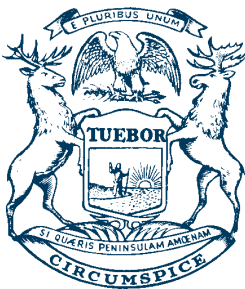




MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
641-0350-06

Michigan Career and Technical Institute

Department of Labor and Economic Growth

Released:
March 2007

The Michigan Career and Technical Institute (MCTI), administered by Michigan Rehabilitation Services (MRS), is a residential training facility located at Pine Lake near Plainwell, Michigan. MCTI's mission is to conduct vocational and technical training programs and provide the supportive services needed to prepare Michigan citizens with physical, mental, or emotional disabilities for competitive employment.

Audit Objective:

To assess the effectiveness of MCTI's efforts to evaluate its success in preparing students for and placing students in competitive employment.

Audit Conclusion:

MCTI was effective in evaluating its success in preparing students for and placing students in competitive employment.

Reportable Conditions:

MCTI had not fully implemented a comprehensive continuous quality improvement process for its vocational training programs (Finding 1).

MCTI did not consistently conduct and document postgraduate follow-up with all graduates and/or their employers (Finding 2).

Noteworthy Accomplishments:

MCTI, in conjunction with the MRS technical team, designed the Accessible Web-Based Activity and Reporting Environment (AWARE) case management

information system to combine tracking of career assessment, education, and training services into a unified system. In addition, the AWARE system integrated features, such as case note recording and student progress reporting, allowing the various disciplines to access and input information pertinent to each student's record. As a result, MCTI staff are better able to monitor student activity and coordinate services necessary to ensure a valuable experience resulting in successful completion of each student's goals.

MCTI achieved full accreditation from the North Central Association's Commission on Accreditation and School Improvement and the Commission on Accreditation of Rehabilitation Facilities.

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Audit Objective:

To assess the effectiveness of MCTI's efforts to help students successfully complete their training.

Audit Conclusion:

MCTI was effective in helping students successfully complete their training.

Reportable Condition:

MCTI did not ensure that students met vocational training prerequisites before the students entered vocational training. Also, MCTI did not sufficiently document student waivers of vocational training prerequisites. (Finding 3)

Noteworthy Accomplishments:

MCTI developed several prevocational programs (the Reading Clinic, Advanced Career Education, and Step-Up) to help improve students' reading, mathematics, basic computer, and employability skills. Since the implementation of these programs in school year 2001-02, MCTI has consistently improved its student retention rate each year. MCTI management informed us that, prior to school year 2001-02, the retention rate was 62%; however, the school year 2004-05 student retention rate was 77%.

Also, MCTI established the Certified Nursing Assistant program in school year 2004-05 and its competency-based curriculum was approved by the State of Michigan. This program, which is a one-term program, graduated 38 students in school year 2005-06.

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Agency Response:

Our audit report includes 3 findings and 4 corresponding recommendations. The Department of Labor and Economic Growth's preliminary response indicated that it agreed with all 4 recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

March 13, 2007

Mr. Keith W. Cooley, Director
Department of Labor and Economic Growth
Ottawa Building
Lansing, Michigan

Dear Mr. Cooley:

This is our report on the performance audit of the Michigan Career and Technical Institute, Department of Labor and Economic Growth.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; two exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The Michigan Career and Technical Institute (MCTI), administered by Michigan Rehabilitation Services (MRS), is a residential training facility located at Pine Lake near Plainwell, Michigan.

MCTI was founded in 1944 as the Michigan Veterans Vocational School and operated under the auspices of Western Michigan University. In 1959, the facility was established as a separate agency under the State Board of Education and became known as the Michigan Rehabilitation Institute. The Executive Organization Act of 1965 placed the facility in MRS within the Michigan Department of Education. In 1968, the Michigan Department of Education changed the facility's name from the Michigan Rehabilitation Institute to the State Technical Institute and Rehabilitation Center. Effective January 1, 1994, Executive Order No. 1993-20 transferred the responsibility for MRS (and the facility) to the Michigan Jobs Commission. In 1995, MRS changed the facility's name from the State Technical Institute and Rehabilitation Center to MCTI. Effective April 5, 1999, Executive Order No. 1999-1 made MRS (including MCTI) part of the Michigan Department of Career Development. Effective October 2, 2003, Executive Order No. 2003-18 transferred the responsibility for MRS (including MCTI) to the Department of Labor and Economic Growth.

MCTI operates under the authority of Sections 395.151 and 395.152 of the *Michigan Compiled Laws*. MCTI's mission* is to conduct vocational and technical training programs and provide the supportive services needed to prepare Michigan citizens with physical, mental, or emotional disabilities for competitive employment. Most students are referred to MCTI by MRS. Also, students are referred to MCTI by the Michigan Commission for the Blind, the U.S. Department of Veterans Affairs, and private insurance companies as the result of accident claims.

MCTI has a Career Readiness Center (CRC), which has three programs: the Reading Clinic, Advanced Career Education, and Step-Up. These programs are designed to improve students' reading, mathematics, basic computer, and employability skills so that students can achieve success in one of MCTI's training programs or obtain immediate employment. A majority of CRC students enter 1 of 13 MCTI vocational training

* See glossary at end of report for definition.

programs. These programs are Automotive Technology, Business Support Services, Cabinetmaking/Millwork, Culinary Arts, Custodial, Drafting, Electronics Servicing Technology, Grounds Maintenance/Landscaping, Health Careers, Machine Technology, Office Automation, Printing, and Retail Marketing. The other major functions of MCTI are admissions, career assessment, and placement services to students.

From September 1, 2003 through August 31, 2005, MCTI's vocational training program enrollments averaged 285 students per term and 230 graduates per year. For the same period, CRC's enrollments averaged 90 students per term. As of April 2006, MCTI had 92 employees. For fiscal years 2003-04 and 2004-05, MCTI's annual expenditures were approximately \$7.9 million and \$8.9 million, respectively.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Michigan Career and Technical Institute (MCTI), Department of Labor and Economic Growth, had the following objectives:

1. To assess the effectiveness* of MCTI's efforts to evaluate its success in preparing students for and placing students in competitive employment.
2. To assess the effectiveness of MCTI's efforts to help students successfully complete their training.

Audit Scope

Our audit scope was to examine the program and other records of the Michigan Career and Technical Institute. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances. Our audit fieldwork, performed from April through July 2006, included examination of MCTI records and activities primarily for the period August 1, 2003 through April 11, 2006.

Audit Methodology

Our methodology included a preliminary review of MCTI activities and functions. This involved interviewing various MCTI staff and reviewing applicable statutes, policies and procedures, reports, management plans, and other reference materials.

To accomplish our first objective, we obtained and analyzed selected data regarding students and graduates. Also, we reviewed MCTI's process for evaluating effectiveness in training students for competitive employment. In addition, we selected a random sample of graduates to determine if MCTI conducted postgraduation follow-up in accordance with established requirements. Further, we obtained and analyzed Unemployment Insurance Agency, Department of Labor and Economic Growth, employment records for all students who were enrolled in MCTI classes or graduated after August 1, 2003 to determine if the students had reported wage earnings during the period January 1, 2005 through March 31, 2006 (see Exhibit 1).

* See glossary at end of report for definition.

To accomplish our second audit objective, we obtained and analyzed selected data regarding MCTI prevocational and vocational training programs, student enrollments, and waiting lists. Also, we reviewed MCTI admission and career assessment policies and procedures. In addition, we examined recommendations for MCTI from the North Central Association's Commission on Accreditation and School Improvement and the Commission on Accreditation of Rehabilitation Facilities. Further, we reviewed a random sample of students to determine if they met MCTI admission requirements and if students received the necessary applicable services to successfully complete their MCTI training. We compared the success rates of students who participated in MCTI's Career Assessment Services and/or Career Readiness Center with the success rate of students who did not participate in these services (see Exhibit 2).

We use a risk and opportunity based approach when selecting activities or programs to be audited. Accordingly, our audit efforts are focused on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. By design, our limited audit resources are used to identify where and how improvements can be made. Consequently, our performance audit reports are prepared on an exception basis. To the extent practical, we add balance to our audit reports by presenting noteworthy accomplishments for exemplary achievements identified during our audits.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 3 findings and 4 corresponding recommendations. The Department of Labor and Economic Growth's preliminary response indicated that it agreed with all 4 recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Labor and Economic Growth to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Michigan Career and Technical Institute, Michigan Department of Career Development (#4524298), in October 1999. MCTI complied with 4 of the 6 prior audit recommendations. The other 2 prior audit recommendations were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

PREPARING STUDENTS FOR AND PLACING STUDENTS IN COMPETITIVE EMPLOYMENT

COMMENT

Audit Objective: To assess the effectiveness of the Michigan Career and Technical Institute's (MCTI's) efforts to evaluate its success in preparing students for and placing students in competitive employment.

Conclusion: We concluded that MCTI was effective in evaluating its success in preparing students for and placing students in competitive employment. However, our assessment disclosed reportable conditions* related to the evaluation of MCTI effectiveness and postgraduate follow-up (Findings 1 and 2).

Noteworthy Accomplishments: MCTI, in conjunction with the Michigan Rehabilitation Services (MRS) technical team, designed the Accessible Web-Based Activity and Reporting Environment (AWARE) case management information system to combine tracking of career assessment, education, and training services into a unified system. In addition, the AWARE system integrated features, such as case note recording and student progress reporting, allowing the various disciplines to access and input information pertinent to each student's record. As a result, MCTI staff are better able to monitor student activity and coordinate services necessary to ensure a valuable experience resulting in successful completion of each student's goals.

MCTI achieved full accreditation from the North Central Association's Commission on Accreditation and School Improvement and the Commission on Accreditation of Rehabilitation Facilities.

FINDING

1. Evaluation of MCTI Effectiveness

MCTI had not fully implemented a comprehensive continuous quality improvement* (CQI) process for its vocational training programs.

Program effectiveness can often be evaluated and improved by having a comprehensive CQI process. A comprehensive CQI process would help MCTI ensure that its efforts are aligned with its mission of preparing Michigan citizens

* See glossary at end of report for definition.

with disabilities for competitive employment through vocational and technical training programs.

A comprehensive CQI process should include performance indicators* for measuring outputs* and outcomes*; performance standards* that describe the desired level of outputs and outcomes based on management expectations, peer group performance, and/or historical performance; a system to accurately gather relevant output and outcome data; a comparison of actual data to performance standards; and a reporting of the comparison results to management, including proposals of program modifications to improve effectiveness.

MCTI has made positive efforts toward developing a comprehensive CQI process. For example, MCTI developed and implemented various monitoring tools, including conducting a self-study of its operations, contracting with a university to perform an assessment of MCTI performance indicators, and expanding an AWARE module for MCTI in response to the university study. However, these efforts are in an implementation phase and have not evolved into a complete and comprehensive CQI process.

Our review of MCTI's efforts to assess program effectiveness disclosed:

- a. MCTI needs to develop additional performance indicators.

Additional performance indicators would help MCTI evaluate and improve its overall effectiveness in achieving its mission.

In addition to federal performance indicators and standards required for MRS, MCTI established some immediate output related performance indicators, such as the average MCTI enrollment, classroom retention rates, number of students enrolled, number of weeks of training per student, number of graduates per year, reasons for termination, percentage of graduates employed, percentage of employed graduates who obtain training related employment, and the average beginning wage of employed graduates.

* See glossary at end of report for definition.

Additional outcome related performance indicators that would help MCTI to evaluate the accomplishment of its mission include:

- (1) Graduate versus nongraduate wages over time.
 - (2) Graduation rates for students who participated in the Career Readiness Center (CRC) versus students who enrolled directly in vocational training.
 - (3) Wages for graduates who participated in CRC versus wages for graduates who did not participate in CRC.
 - (4) Percentage of graduates who maintain employment with earnings at or above the minimum wage for specified time intervals.
 - (5) Percentage of graduates who no longer receive public assistance benefits after obtaining employment.
- b. MCTI had not established performance standards for all of its performance indicators.

Performance standards are critical for comparing actual results with desired outcomes.

MCTI established performance indicators as part of its new AWARE module. The indicators included the percentage of students who complete remedial training, the percentage of students who improve two or more grade levels, and the average number of days from referral to program entry. However, without performance standards, the performance indicators are of little value in evaluating program success.

- c. MCTI had not fully developed its management information system to maximize useful reporting of program data to management.

Enhanced reporting capabilities would help provide MCTI with additional program data for evaluating program effectiveness and initiating program modifications.

During our audit period, MCTI gathered student data from its Student Tracking System (STS), its instructors, and its placement office and subsequently generated an annual report summarizing vocational training program activity. However, MCTI did not include the CRC activities. In school year 2005-06, MCTI began implementing AWARE to replace STS. In the implementation

phase, MCTI had not developed reports that allowed it to obtain and evaluate the new data. Also, MCTI had not gathered data related to employment wage earnings over time.

To illustrate the usefulness of relevant program data, we compared STS student activity data with wage records from the Unemployment Insurance Agency, Department of Labor and Economic Growth, to determine if former MCTI students received wages during the 15-month period from January 1, 2005 through March 31, 2006.

We identified 1,287 students formerly enrolled in MCTI classes or graduated after August 1, 2003. Of the 1,287 students, 450 students graduated in school years 2003-04 and 2004-05. Of the 450 graduates, 358 (80%) reported wage earnings during this 15-month period, which meets MCTI's overall 80% placement rate standard.

RECOMMENDATION

We recommend that MCTI fully implement a comprehensive CQI process for its vocational training programs.

AGENCY PRELIMINARY RESPONSE

The Department of Labor and Economic Growth (DLEG) agrees with this recommendation and stated that it is actively working on compliance. DLEG informed us that its current plans include developing automated reports and evaluative processes to ensure that it continues to meet qualifications for the North Central Association's Commission on Accreditation and School Improvement, the Commission on Accreditation of Rehabilitation Facilities accreditation process, and factors associated with federal rehabilitation standards. According to DLEG, this work is done in cooperation with the College of Rehabilitation Services associated with Michigan State University. DLEG stated that, upon completion, it would examine other evaluative measures as appropriate to its work.

FINDING

2. Postgraduate Follow-Up

MCTI did not consistently conduct and document postgraduate follow-up with all graduates and/or their employers.

Postgraduation follow-up and documentation are helpful in evaluating the quality and effectiveness of MCTI's programs and services. This outcome data is useful in making decisions related to placement services that help graduates succeed.

MCTI had established employment verification and follow-up procedures that require placement staff to contact graduates and/or their employers upon initial employment and at 45-day, 90-day, 6-month, and 1-year intervals to verify employment and to obtain data regarding the employment, such as hours worked per week, hourly wage, and the level of employer satisfaction. Also, the procedures require monthly contact with graduates who have not yet found employment.

Our review of 50 placement files for students who graduated during our audit period disclosed:

- a. MCTI did not conduct and document postgraduate follow-ups for 13 (26%) of the 50 graduates.

Placement staff informed us that they did not have the resources to document the monthly follow-up of graduates who were not employed; therefore, they documented follow-up only when the graduate was employed. However, we noted 13 (35%) of 37 instances in which placement staff documented that they were not able to contact the graduate or that the graduate was not employed.

- b. MCTI did not conduct and document postgraduate follow-ups or postgraduate surveys at all specified intervals for 4 (11%) of 37 graduates who had obtained employment.

RECOMMENDATION

We recommend that MCTI consistently conduct and document postgraduate follow-up with all graduates and/or their employers.

AGENCY PRELIMINARY RESPONSE

DLEG agrees with this recommendation. DLEG will reevaluate the postgraduate follow-up process and comply with written procedures.

HELPING STUDENTS SUCCESSFULLY COMPLETE THEIR TRAINING

COMMENT

Audit Objective: To assess the effectiveness of MCTI's efforts to help students successfully complete their training.

Conclusion: We concluded that MCTI was effective in helping students successfully complete their training. However, our assessment disclosed a reportable condition related to training prerequisites (Finding 3).

Noteworthy Accomplishments: MCTI developed several prevocational programs (the Reading Clinic, Advanced Career Education, and Step-Up) to help improve students' reading, mathematics, basic computer, and employability skills. Since the implementation of these programs in school year 2001-02, MCTI has consistently improved its student retention rate each year. MCTI management informed us that, prior to school year 2001-02, the retention rate was 62%; however, the school year 2004-05 student retention rate was 77%.

Also, MCTI established the Certified Nursing Assistant program in school year 2004-05 and its competency-based curriculum was approved by the State of Michigan. This program, which is a one-term program, graduated 38 students in school year 2005-06.

FINDING

3. Training Prerequisites

MCTI did not ensure that students met vocational training prerequisites before the students entered vocational training. Also, MCTI did not sufficiently document student waivers of vocational training prerequisites.

Prerequisites help to ensure that students possess basic competencies essential to successfully complete training programs. MCTI had established prerequisites for students enrolling in its vocational training programs. The prerequisites address

areas such as comprehension, reading and mathematics, physical condition, and other specific requirements relative to each training program.

We reviewed MCTI's enrollment practices for 63 students enrolled from August 1, 2003 through July 31, 2005 and noted:

- a. MCTI did not document the rationale for enrolling 16 (25%) students who did not meet one or more of the cognitive prerequisites for training, such as intelligence quotient (IQ) or WorkKeys* scores.

Of the 16 students, 6 (38%) were former students who did not graduate and 2 (13%) were still enrolled at the time of our review.

- b. MCTI did not document that program instructors interviewed or performed criminal history checks for the 6 (100%) students enrolled in the Health Careers program.

MCTI policy and State statutes related to the medical field require students and medical field employees to be free of felony convictions within the last 15 years and of certain misdemeanors for the last 10 years. Also, MCTI policy requires that prospective Health Careers program students interview with the program instructor to determine their potential compatibility with the program.

Of the 6 Health Careers program students, 1 (17%) was a former student who did not graduate and 1 (17%) was still enrolled at the time of our review.

- c. MCTI did not confirm with authorities and document that the 15 (100%) students enrolled in the Automotive Technology, Custodial, and Grounds Maintenance/Landscaping programs had valid driver's licenses.

MCTI requires that students in the Automotive Technology, Custodial, and Grounds Maintenance/Landscaping programs have valid driver's licenses to participate in these programs.

- d. MCTI did not ensure that 20 (48%) of 42 students who received CRC services met vocational training prerequisites when entering their vocational training

* See glossary at end of report for definition.

programs. Also, MCTI had not documented why these students were allowed into the training programs.

Of the 20 students, 7 (35%) were former students who did not graduate from MCTI.

RECOMMENDATIONS

We recommend that MCTI ensure that students meet vocational training prerequisites before the students enter vocational training.

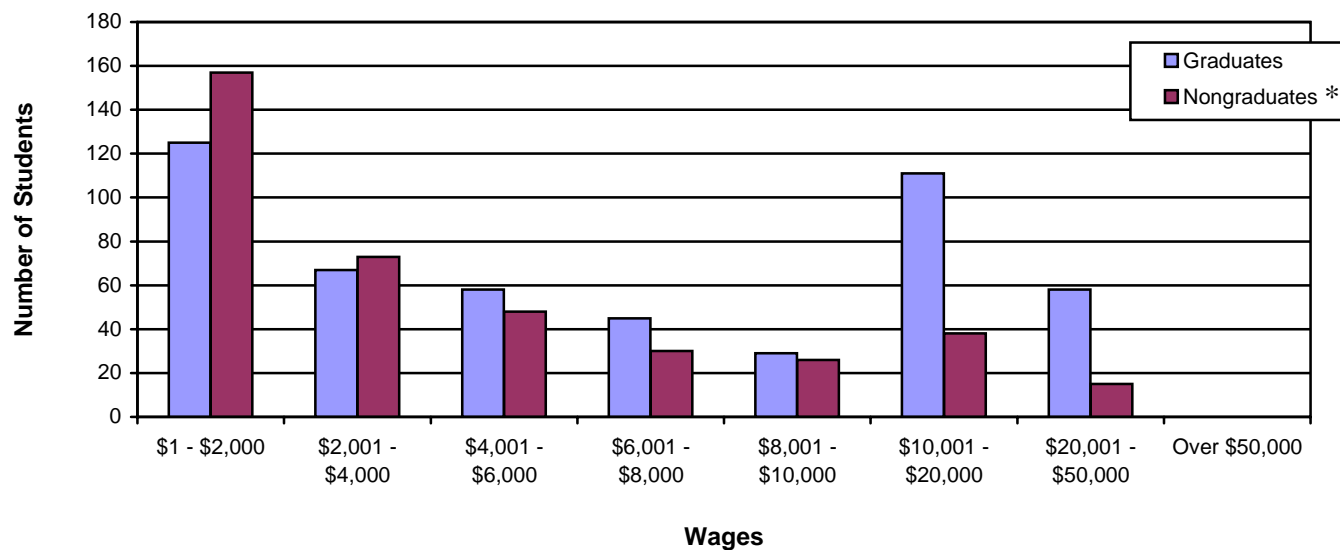
We also recommend that MCTI sufficiently document student waivers of vocational training prerequisites.

AGENCY PRELIMINARY RESPONSE

DLEG agrees with these recommendations and will comply.

SUPPLEMENTAL INFORMATION

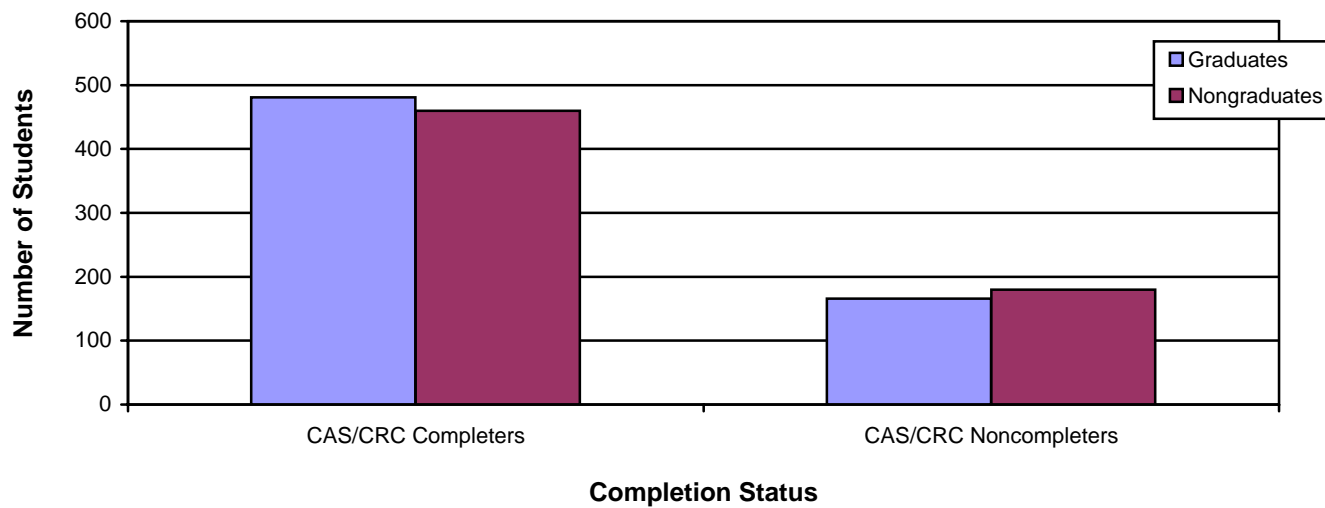
MICHIGAN CAREER AND TECHNICAL INSTITUTE (MCTI)
Department of Labor and Economic Growth
Reported Wage Earnings for MCTI Students
For the Period January 1, 2005 through March 31, 2006



* Nongraduates can include students enrolled at MCTI during the period January 1, 2005 through March 31, 2006.

Sources: Unemployment Insurance Agency and MCTI Student Tracking System.

MICHIGAN CAREER AND TECHNICAL INSTITUTE (MCTI)
Department of Labor and Economic Growth
Graduation Total for Career Assessment Services (CAS)/Career Readiness Center (CRC)
Completers and Noncompleters
For School Years 2003-04 through 2005-06



Source: MCTI Student Tracking System.

GLOSSARY

Glossary of Acronyms and Terms

AWARE	Accessible Web-Based Activity and Reporting Environment.
CAS	Career Assessment Services.
continuous quality improvement (CQI)	A process that aligns the vision and mission of an organization with the needs and expectations of internal and external customers. It normally includes a process to improve program effectiveness and efficiency by assessing performance indicators that measure outputs and outcomes related to the program vision, mission, goals, and objectives.
CRC	Career Readiness Center.
DLEG	Department of Labor and Economic Growth.
effectiveness	Program success in achieving mission and goals.
MCTI	Michigan Career and Technical Institute.
mission	The agency's main purpose or the reason that the agency was established.
MRS	Michigan Rehabilitation Services.
outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

performance indicators	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance standard	A desired level of output or outcome.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
STS	Student Tracking System.
WorkKeys	A system that connects work skills, training, and testing for education and employers.

